

How and Why UK Small Businesses Buy Technology

A three-part investigation by Larato



About this Document

This paper presents brand new intelligence to help UK technology providers strengthen their business development activities in the small business markets.

Leaders from smaller firms across the UK have explained their priorities, challenges, and what they really want from their technology providers.

Larato has gathered responses to over 30 questions from 212 business leaders as well as performing one-on-one interviews to gain even deeper insights.

The intelligence presented is accurate to 94%. In other words, 94 out of 100 small business leaders would provide the answers reported on in this paper.

This document has three sections

- **Section 1:** Why small businesses buy technology, what they spend, what they expect from their investments, and what they are struggling with now.
- **Section 2:** Evidence and advice about how suppliers can provide value to suppliers.
- **Section 3:** Advice on bridging the gap between small businesses and local technology providers in a way that everybody wins.

Larato takes the guesswork out of business development.

We hope you enjoy this paper, that it gets you thinking, and would love to hear your feedback.

Content

Section 1

Exploring why small businesses buy technology, what do they spend, and they expect from their investments

1.1. Evidence of How SMEs Invest in Technology

- Business Priorities

- Budgets 1: Investment in Technology

- Budgets 2: Changes

- Investment Barriers

1.2. Evidence of Buyers Dependence on Technology

- Reliance

- Support Needs

- Business Outcomes

- Challenges

Section 2

Exploring the technological priorities of small businesses, understanding how they value suppliers and assessing their preparation for the BT Switch off

2.1. Evidence of how Buyers are Investing

- Investment Priorities

- Automation

2.2. Evidencing what Buyers want from Suppliers

- Buyers are Streamlining

- Tips for Suppliers

- Attributes

- Sales Representatives

- Net Promoter Score

2.3. PSTN is Coming

- Analogue Switch Off

- PSTN Preparation

Section 3

Bridging the gap between small businesses and local technology providers in a way that everybody wins

3.1. Evidence of how SMEs Buy Technology

- Buying Preferences

- Switching Providers

3.2. Likelihood of SMEs buying from Local Resellers

- Awareness

- Attractiveness

- Usefulness

3.3. Evidence of how Local Resellers could Engage with SMEs

- Communication

- Networking

Section 1

Exploring why small businesses buy technology, what do they spend, and they expect from their investments

1.1. Evidence of How SMEs Invest in Technology

- Business Priorities

- Budgets 1: Investment in Technology

- Budgets 2: Changes over the next 12 months

- Investment Barriers

1.2. Evidence of Buyers Dependence on Technology

- Reliance

- Support Needs

- Business Outcomes

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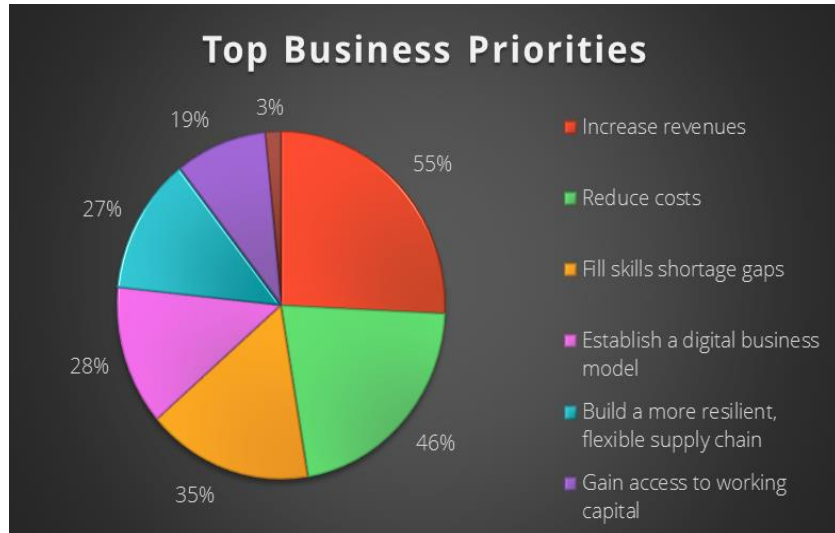


Evidence of how SMEs Invest in Technology

- Business Priorities
- Budget 1: Investment in Technology
- Budget 2: Changes
- Investment Barriers

Business Priorities

What are your top business priorities for the next 12 months?
(Select all that apply)



Responses from 212 business leaders of distinct companies with 2 to 249 employees. All sectors. December 2022.

Insights

Revenue growth, cost reduction, and access to skills are today's top priorities for Britain's small businesses. Important factors underline these seemingly obvious choices. Revenue growth means penetrating existing markets and breaking into new ones. Research from the OECD shows that the UK small business growth is being held back by poor connectivity as well as being behind international competitors in e-commerce and cloud adoption. An increased dependency on technology for growth and efficiency reflects nationwide digital initiatives like Manchester's ambition to be a world-leading digital city by 2026. However, to achieve their potential, small firms need specialist advice if they are to make the right commercial returns on their technology investments. This theme recurs throughout this paper, illustrating how growth, cost reduction, and skills access collectively impact small organisations.

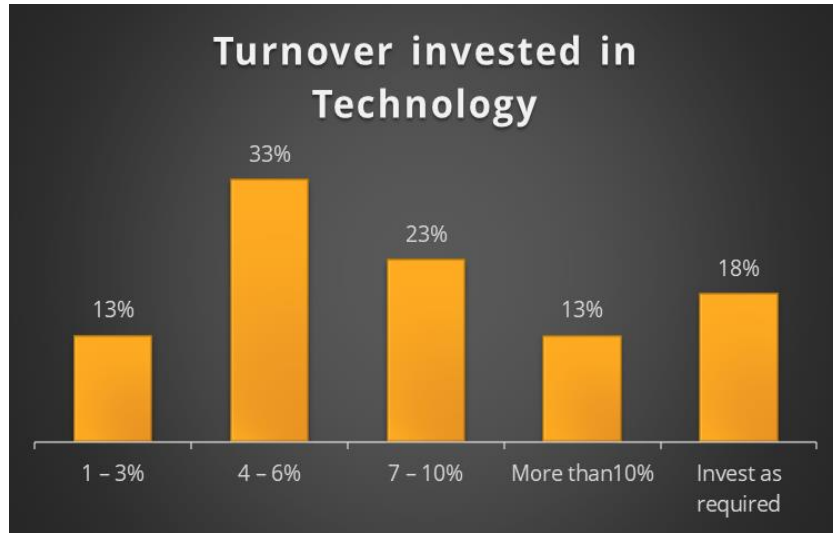
Planned changes in supply chain should not be overlooked. Businesses are proactively streamlining and simplifying their suppliers. Which means their technology business is becoming much harder to win. This is an urgent wake-up call to all suppliers

Key Changes during the last 12 months

The focus on revenue generation remains small firms' top priority. The importance of cost reduction has risen from 38% last year to 46% now. This is likely to be a reflection of the economic crisis and the uncertainty it brings. Filling skills gaps has moved to third place, replacing establishing a digital business model. Overall, this means that small organisations are working with three key levers; growth, cost, and skills access.

Budgets (1)

Approximately what percent of turnover does your business invest in technology?



Responses from 212 business leaders of distinct companies with 2 to 249 employees. All sectors. December 2022.

Insights

Accelerating the adoption of technology could increase UK GDP by £74 billion within three years. Technology adoption will help businesses grow in productivity and output. By increasing their investments, they will have the potential to improve what and how they sell (["Transforming the UK Economy". CEBR for Virgin Media Business, 2021](#)).

Since the pandemic, small businesses have been successfully re-imagining themselves with technology with 58% reporting increased growth and 70% citing high levels of confidence in their commercial prospects. Budgets and investments in technology have increased over the past three years as reliance on IT and Communications in particular has grown. Importantly, in today's high inflation economy, smaller firms expect prices to increase, and this is not deterring them from investing.

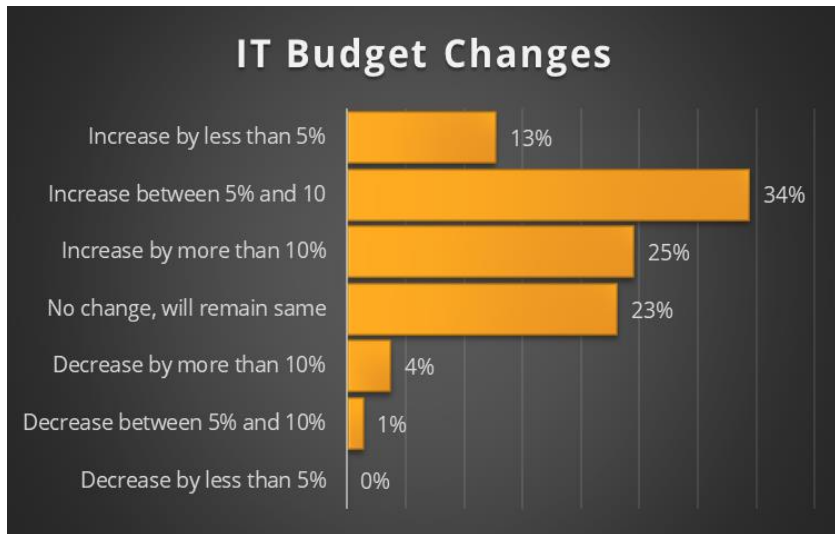
One in five are still investing as required. Larato research not featured in this paper has uncovered that companies adopting this way of spending can find it difficult to produce business cases that link technology to outcomes. Frankly, buying technology has become so complicated that it is unsurprising some firms find investment justification tough. Expertise in purchasing technology should not be needed!

Key Changes during the last 12 months

Although the most common investment is 5% of turnover, there has been an increase in organisations spending between 4 and 6 percent and a reduction in those spending between 1 and 3 percent. Overall, small business budgets for technology are going up.

Budgets (2)

In your opinion, how will your IT budget change over the next 12 months?



Responses from 212 business leaders of distinct companies with 2 to 249 employees. All sectors. December 2022.

Insights

The transformation in budget allocation over the coming year of 2023 is marked. The reported increases from 2021 (shown in pink) reflect well the increases in budgets as a percentage of turnover seen during 2022 shown on the previous page.

Budget increases planned for 2023 vary significantly by industry.

The largest IT budget increases planned are in the financial services, banking, insurance, and healthcare sectors.

The education sector is largely trying to hold IT budgets flat.

Industries citing decreases in their IT budgets include agriculture, central government and not-for-profit.

The investment picture in the construction sector is evolving dramatically as explained below. A key message for technology suppliers to the construction sectors is change your proposition and your messaging

Key Changes during the last 12 months

A Larato equivalent survey performed a year ago revealed a strong intent to increase IT budgets. This year's data shows that these increases have taken place. However, this year's data reveals that there is another wave of budget increases planned - this time additional spend is focused on how to access new markets rather than improve operational performance.

Investment Barriers

Other than cash constraints, what would prevent your organisation investing in technology over the coming year? (Select all that apply)



Responses from 212 business leaders of distinct companies with 2 to 249 employees. All sectors. December 2022.

Insights

Throughout 2022, Larato has monitored the cybersecurity and data protection concerns of the UK's small businesses. The motivation for this came from a report by Keeper and Sapio that showed statistically significant evidence for 76% of cyber attacks in the UK being made on small businesses. Worryingly, 72% of attacks were successful.

Larato's research on cybersecurity in the small business landscape revealed that data security in particular is both a driver and a blocker for investment. It could be expected that concerns about data security would simply impact investment in data protection or other related services. This is not the case. Worries about data are impacting spend on IT, Telecoms, and applications.

This finding prompted Larato to adapt the question asked annually about blockers to investment and introduce a data security element. As illustrated opposite, data security concerns are a barrier to investment in approximately one in three small businesses. Managing change in smaller businesses remains a top challenge, some of which is linked to workforce productivity and making the time to invest in training.

Key Changes during the last 12 months

A Last year's survey question did not include the data security element, so direct parallels are more difficult to draw. The top barrier last year was unclear benefits (scoring 36%) followed by the impact of change (31%). More in-depth analysis of all the data Larato has gathered about small businesses during 2022 leads us to state with confidence that data security concerns were a component of the unclear benefits cited by 36% of respondents last year.

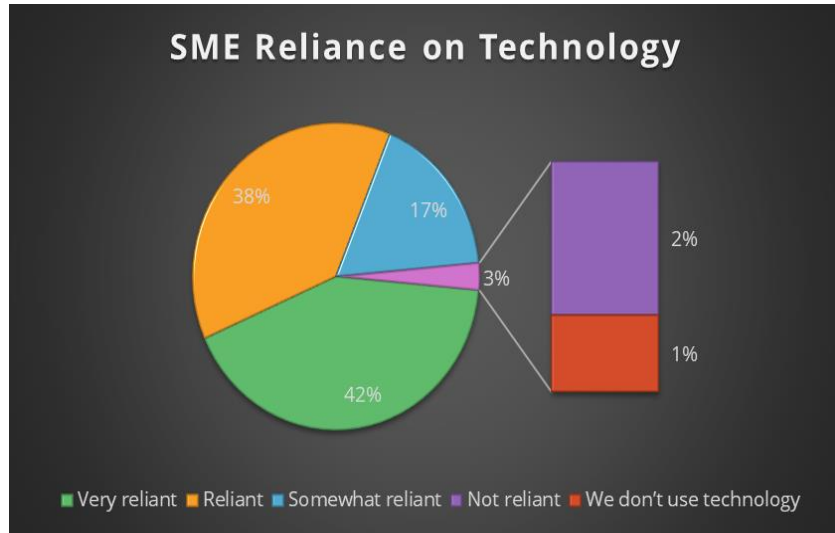


Evidence of Buyers Dependence on Technology

- Reliance
- Support Needs
- Business Outcomes
- Challenges

Reliance

How reliant is your business on technology?



Responses from 212 business leaders of distinct companies with 2 to 249 employees. All sectors. December 2022.

Insights

Small businesses in fast growing sectors like financial services, banking, insurance, healthcare, technology, and increasingly manufacturing and logistics depend on technology to help them improve operational efficiency, access new markets, and deliver better customer experience as well as increase competitive advantage that helps them win.

Smaller organisations are more agile than their larger counterparts, which means that they can embrace new technology faster and accelerate the benefits they can gain. A big problem is that many do not appreciate the range of technologies on offer and the value they could tangibly add to smaller firms. And why should they? Why should small businesses have to be technology gurus? It is this fundamental issue that should concern technology suppliers about this chart. Small business reliance on technology has grown significantly since the pandemic. Realising business value has not.

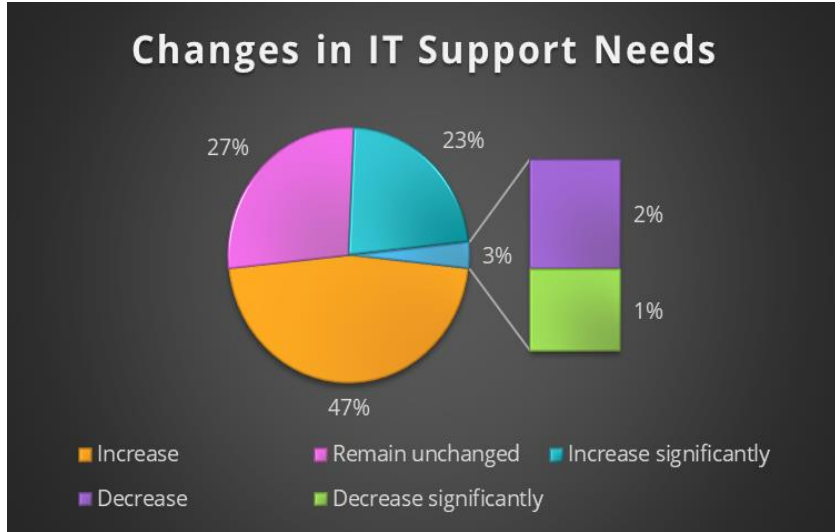
This is a challenge and an opportunity for technology suppliers that small business customers want you to rise to.

Key Changes during the last 12 months

Over the past three years, the Bank of England and other government research has shown that small businesses that use technology effectively are more productive than those that do not. Compared with Larato's survey last year, the businesses reporting the fastest growth are also those reporting higher reliance on technology. This is not a coincidence.

Support Needs

How do you expect your company's IT support needs to change over the next 12 months?



Responses from 212 business leaders of distinct companies with 2 to 249 employees. All sectors. December 2022.

Insights

Given the backdrop of problems accessing skills, and technology skills in particular, it is not surprising that 70% of small businesses expect to need more IT support in 2023. Interestingly, the education sector makes up one quarter of the organisations reporting no change in their IT support needs next year. Further analysis shows that this is not what educational organisations want, it is simply a consequence of the current economic environment.

The industries needing the most help are banking, financial services, insurance, central government, and healthcare. It is unlikely that increasingly complex regulation burgeoning cyber-attacks, and data theft are unconnected with this increased need for IT support. At the smaller end of these markets, it is common not to have in-house expertise on cybersecurity, data governance, or even IT.

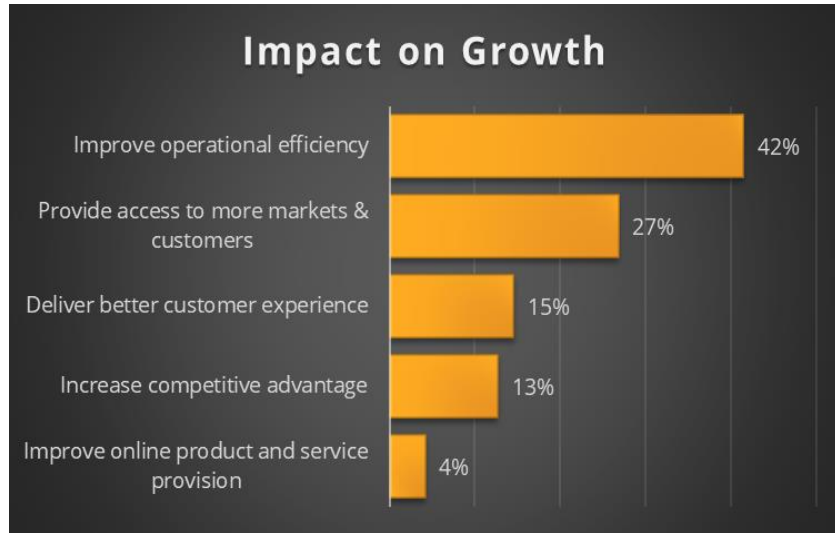
Encouragingly, central and local government initiatives are providing advice and other practical help for small firms facing these problems. That said, there is much more that needs to be done - as evidenced by the 72% success rate of cyber-attacks on small businesses.

Key Changes during the last 12 months

In 2022, the retail sector dominated the unchanged category for IT support. In 2023, 63% of retailers responding to Larato's survey state that they need more, or significantly more support for IT. The increase may be because retailers are facing problems with the cost-of-living crisis, fierce competition, and the need to streamline their operations to stay in business.

Business Outcomes

How can technology best contribute to your company's growth prospects over the next 12 months??



Responses from 212 business leaders of distinct companies with 2 to 249 employees. All sectors. December 2022.

Insights

The quest for improved efficiency remains the key focus for small businesses' investments in technology. This requirement remains unchanged from last year which poses some important questions. It has already been observed that small businesses have increased their spend on technology and plan to increase it further still in 2023. So, why has the need for efficiency not reduced? Does it mean that organisations have not secured the outcomes they sought? The short answer to this question is yes. Small businesses have not gained the improvements they had hoped for.

Why not? This is a much harder question to answer. Larato has analysed its data pool from the past two years as well as augmented it with more surveys and interviews to try and unpick what the real problem is.

Larato's conclusion is that the issue stems from small businesses preferring to buy from large vendors and service providers. This is completely understandable. Large companies have more resources, stronger brands, and often offer good deals. The problem is that they are not equipped to provide the personalised advices that small businesses need.

Key Changes during the last 12 months

In 2022, 63% of small businesses were unaware of local companies with technical expertise that could help them buy the right solutions. In 2023, this has fallen to 58%. It means that small firms are gradually becoming more aware of local help. This does not mean that the big vendors and providers miss out on business. Quite the opposite. It means that the products and services they supply through local experts make the difference buyers want.

Challenges

What technology challenges is your company experiencing? (Select all that apply).

Recruiting people with technology skills	44%
Difficulties buying equipment	33%
Difficulties with connectivity performance	30%
Increased cybersecurity risk	28%
Backing-up systems and data	26%
Glitches with telephony systems or services	20%
Managing increased inbound customer enquiries	15%
Accessing systems located in the office	12%
Remote workers sharing broadband connections with other household members	11%
Data loss or data theft	10%
Difficulty buying network connectivity	8%
Other (please specify)	1%

Responses from 212 business leaders of distinct companies with 2 to 249 employees. All sectors. December 2022.

Insights

At first sight, the table opposite can not only look confusing but somewhat contradictory to the required business outcomes of higher efficiency, lower cost, and access to growth.

However, the story that the data in the table tells is one where small businesses lacking the appropriate skills are failing to buy the right equipment, connectivity, and are more exposed to cybersecurity risks and data problems.

Not only does this intelligence re-enforce the challenges that small organisations face, it provides a level of detail that can help technology providers offer a stronger, more valuable, service.

How many small businesses can afford to recruit people with the technology skills they need? How many are buying equipment online without really knowing if they are doing the right thing?

More small firms are moving to the cloud. Over the past three years, their problems with connectivity have tracked cloud adoption closely. These issues are connected.

Key Changes during the last 12 months

Unfortunately, this picture has not changed much over the past year. In Section 2 and 3 of this investigation, Larato will provide advice and evidence about how this picture can be improved to the benefit of all.

Section 2



Exploring the technological priorities of small businesses, understanding how they value suppliers and assessing their preparation for the BT Switch off.

2.1. Evidence of how Buyers are Investing
Investment Priorities
Automation

2.2. Evidencing what Buyers want from Suppliers
Buyers are Streamlining
Tips for Suppliers
Attributes
Sales Representatives
Net Promoter Score

2.3. PSTN is Coming
Analogue Switch Off
PSTN Preparation

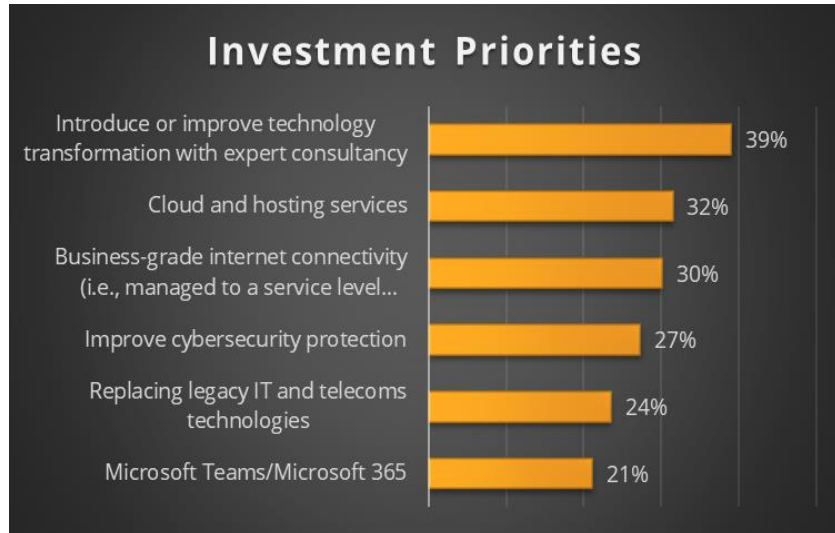


Evidence of how Buyers are Investing

- Investment Priorities
- Automation

Investment Priorities

What are your organisation's technology investment priorities over the next 12 months? (Select all that apply)



Responses from 212 business leaders of distinct companies with 2 to 249 employees. All sectors. December 2022.

Insights

The top three investment priorities for small businesses in the UK are technology transformation with expert consultancy, cloud and hosting services, business-grade internet connectivity, cyber security protection and replacing legacy technologies. These insights suggest that small businesses understand how crucial it is to invest in technology that not only helps them to succeed but protects their business.

Small businesses need expert consultancy to help them select the right types of technologies based on their business objectives. They cannot afford to buy technology that is trending but is not relevant to their needs. This is why it is beneficial for them to ensure that their technology providers can offer personalised advice.

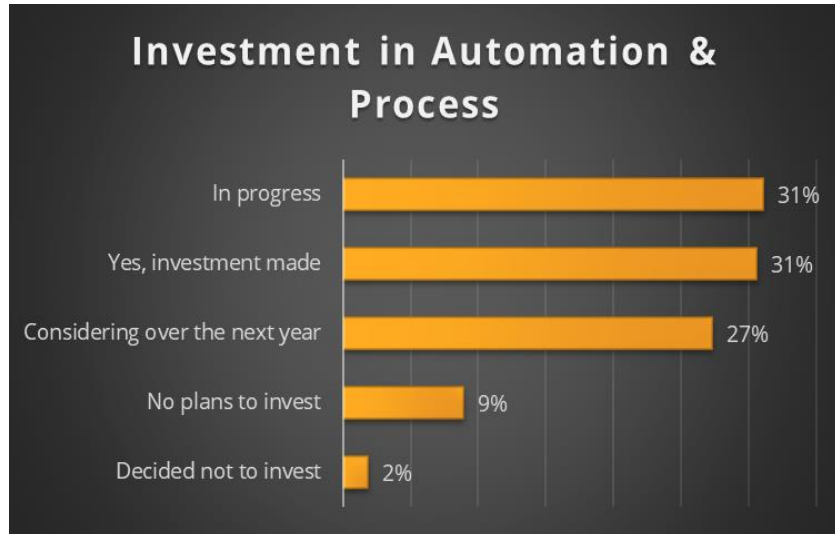
Additionally, the findings demonstrate that small businesses are realising the value of cybersecurity protection. Verizon's 2021 data breach investigation report found 28% of all data breaches involved small businesses. These businesses are aware that if they have been attacked and have no protection, it will result in reputational and financial damages. Some businesses won't be able to recover.

Key Changes during the last 12 months

While there has been an increase in reliance and demand for technology, small businesses are looking to consolidate their supply chain. This means that suppliers have to work harder to attract and retain businesses and make relevant changes to their offerings.

Automation

Has your business considered how automation of processes can improve its commercial and operational performance?



Responses from 212 business leaders of distinct companies with 2 to 249 employees. All sectors. December 2022.

Insights

The insights demonstrate that small businesses are seeing the value of automation. Automation optimises efficiency, reduces costs and delays, increases ROI, improves agility and customer satisfaction.

SMEs are depending on their technology providers to ensure that their automation strategy is relevant to their business. The 11% of respondents who either have no plans to invest or have made a decision not to invest in automation risk falling behind as their customers are likely to be attracted to their competitors which can operate more efficiently. More information on why businesses should never be too busy to automate can be found [here](#).

Small businesses must not be eager to follow automation trends, rather they must ensure that they have an automation strategy based on research and expert advice from their suppliers. Suppliers must ensure that they have a variety of options for current and prospect customers (small businesses) or they risk losing out. This is because businesses will rather have technology suppliers that can offer them the products or services that they need as they move towards consolidating suppliers.

Key Changes during the last 12 month

There has been an 8% increase in small businesses that have no plans to invest in automation. Reasons SMEs are hesitant to automate include the downtime required for upgrading, concerns about skills shortages and budget constraints.

Helpful information about why businesses are still hesitant to automate can be found [here](#).

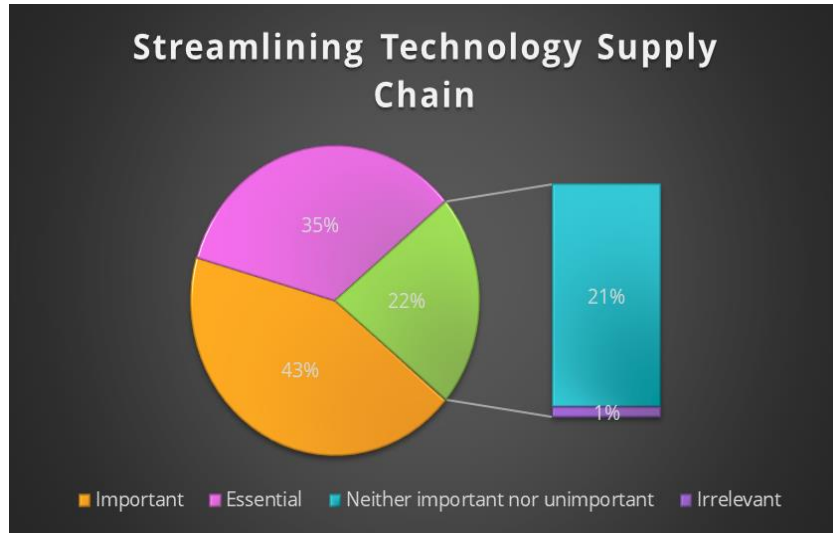


Evidence of what Buyers want from Suppliers

- Supply Chains
- Tips for Suppliers
- Attributes
- Sales Representatives
- Net Promoter Score

Supply Chains

How important is streamlining your organisation's technology supply chain over the next 12 months?



Responses from 212 business leaders of distinct companies with 2 to 249 employees. All sectors. December 2022.

Insights

There is really only one important insight from this data. If you are a supplier of technology to small businesses, you are in a battle to keep your customers and increase the services you sell to them.

This chart should concern you - 77% of small businesses are planning on buying from fewer suppliers in 2023.

How do you respond to this?

Please do not drop prices to 'buy business' with a view to increasing prices at a later date. This does not work anymore and it is not what reasonable buyers want. The UK's IT and Telecommunications markets are already over-commoditised. Today's buyers want business outcomes and are prepared to pay for them as will be evidenced later in this report. Of course, there will always be some organisations that are completely, and sometime unreasonably, cost driven. Unless you have the lowest cost base in the industry, you cannot afford to serve them.

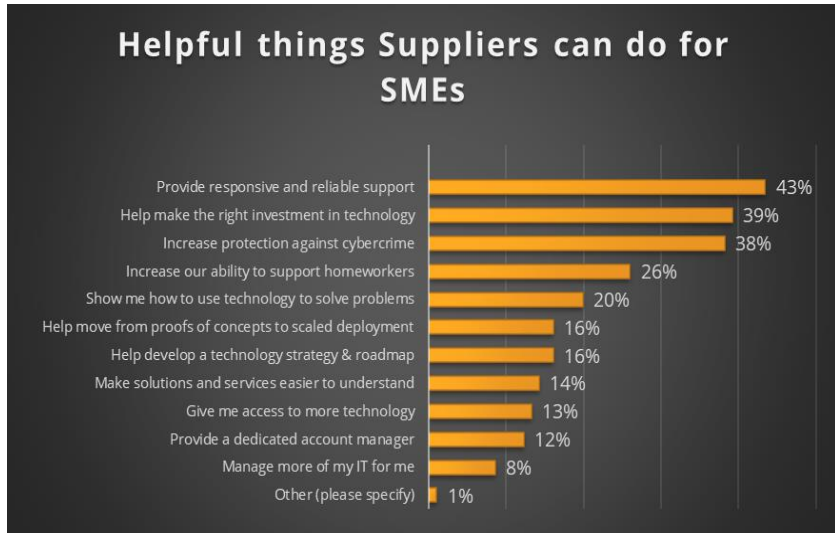
For more insights about how to ride this wave, [please go to this article which is packed with helpful advice, hints, and tips.](#)

Key Changes during the last 12 months

Last year's survey revealed that 60% of small businesses viewed streamlining their number of technology suppliers as important or essential. Therefore, over the past year, the number of organisations intent on reducing their supplier base has risen by 17%. Suppliers, be worried!

Tips for Suppliers

What are the most helpful things a supplier of technology services can do for your business over the next 12 months?
(Select all that apply)



Responses from 212 business leaders of distinct companies with 2 to 249 employees. All sectors. December 2022.

Insights

There are many helpful things that technology providers can do to help small businesses over the next 12 months. The findings from Larato's research identified the top three things as providing responsive and reliable support, helping to make the right investments in technology and increasing cybersecurity.

43% respondents suggest that the most helpful thing these providers can do is to provide responsive and reliable support. This type of support is likely to inform their technological priorities and investments, ensuring they buy the right technologies for growth and sustainability.

Most small businesses currently purchase technology from vendors and national suppliers, but they do not receive the responsiveness and support they need. For this reason, more SMEs are open to switching to local suppliers. The problem is that they know suppliers exist, but they don't know who they are.

Key Changes during the last 12 month

The top three helpful things that suppliers can do to help small businesses have remained the same from Larato's 2022 survey to now. This consistency shows that small businesses still want more advice and support from their providers, especially now, when the manner in which they adopt technology could either make or break their business. These results are likely to remain the same until we get to a stage where small businesses are confident and satisfied with the services provided. They are likely to switch providers unless they find the right one(s) to help them achieve their objectives.

Attributes

Which of the following attributes do you most value in a technology supplier? (Select all that apply)

Responsive customer service/support	50%
Strong engineering and technical capability	33%
Wide choice of solutions	33%
One-stop shop – all solutions under one roof, one bill	32%
High levels of accreditations with leading technology vendors	30%
Easy to do business with	19%
Responsive to your questions and concerns about our products and services	17%
Dedicated project management to assure timely delivery	14%
Available on key public sector frameworks (RM6100 3 lots, RM3808 13 lots, HSCSN RM3825, G-Cloud, etc.).	14%
Customer references	14%
A trusted advisor to help make technology decisions	12%
Strong Microsoft capabilities	11%
Case studies	8%
Consultative account management	5%
Other (please specify)	1%

Responses from 212 business leaders of distinct companies with 2 to 249 employees. All sectors. December 2022.

Insights

Here again, we see that small businesses need technology providers to be responsive and reliable. They want to feel that they can depend on their providers to help them solve their problems. This includes improving operational efficiency, accessing new markets, and delivering better customer experience, as well as increasing competitive advantage. They want their providers to have strong engineering and technical capability to support their business needs.

There is now a preference for providers which offer a wide choice of solutions so that small businesses can reduce their supply chain. Technology suppliers need to deliver the attributes that small businesses value or risk losing business to other suppliers that are ready to evolve.

These insights show that small businesses prefer suppliers with an expansive portfolio which could meet all their needs. These findings also suggest that small businesses are ready to shift away from large vendors and give other providers including but not limited to smaller local providers, an opportunity to help them play to win.

Key Changes during the last 12 month

In 2022, high levels of accreditation with leading technology vendors were the 3rd top attribute that small businesses valued in suppliers. However, in 2023 this is much less important as it shifted two steps down to 5th place.

Sales Representatives

In your opinion, how could technology suppliers' sales representatives improve their service to your organisation?
(Select all that apply)

Help my organisation understand the commercial benefits technology will deliver	43%
Listen more carefully to my organisation's needs	41%
Present their solutions in plain English, avoiding jargon	40%
Help organisation understand which technologies to invest in	31%
Training, where appropriate, for products and services	23%
Explain how my organisation should adopt technology	20%
Help my organisation understand the full range of suppliers' capabilities	16%
Explain how other organisations are using technology	14%
Regular contact from a consistent team of sale representatives	13%
Other (please specify)	0%

Responses from 212 business leaders of distinct companies with 2 to 249 employees. All sectors. December 2022.

Insights

Small businesses expect more from their technology providers' sales representatives. They need their sales representatives to be able to help their organisation to understand the commercial benefits that technology will deliver, listen more carefully to their needs and present solutions in clear English, amongst other things.

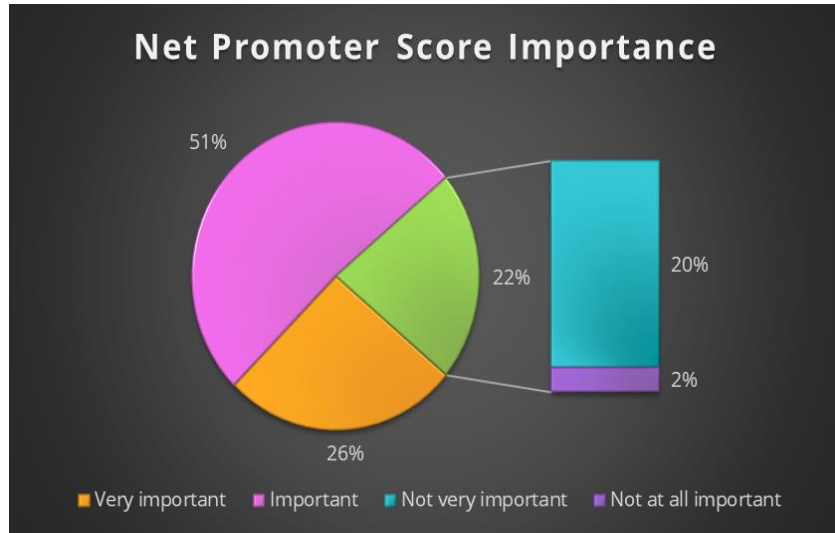
The fact that only 14% of respondents indicated they need regular contact from a consistent team of sales representatives demonstrates that small businesses value quality, NOT quantity. These insights highlight the need for regular training and evaluation of sales representatives. The role of sales representatives has changed. It is no longer just to generate sales but to provide valuable guidance and support customer/clients to help their organisation succeed and to turn them into loyal customers. Therefore, sales representatives must fully understand their service offerings and understand their clients' business objectives to be able to offer them expert advice on meeting those objectives.

Key Changes during the last 12 month

The top three areas for improvement are the same compared to Larato's research in 2022. Sales representatives need to understand that sales is no longer strictly about volume, but about providing value to customers. This mainly involves recognising their challenges and helping them invest in the right technological solutions to resolve those challenges and achieve goals.

Net Promoter Score

How important is a Net Promoter Score (NPS) when choosing a technology supplier?



Responses from 212 business leaders of distinct companies with 2 to 249 employees. All sectors. December 2022.

Insights

The Net Promoter Score (NPS) is a metric used to measure customer experience and satisfaction. The fact that only 2% of respondents indicated that NPS is not important to them should be a wakeup call for technology providers to ensure their customers are happy. 77% of respondents represent how valuable NPS is for small businesses when selecting a technology provider. Therefore, in a scenario where detractors outnumber promoters, not only are current customers likely to switch providers but it deters new customers and results in reputational damages. Helpful information about NPS can be found [here](#).

Technology providers need to pay attention to the type of help and attributes small businesses most value in their suppliers and the ways in which sales representatives can improve. These are only some of the answers to meeting changing needs of small businesses and generating a good NPS. Additionally, they need to ensure the products and services are efficient and implement loyalty programs, bundles, and pricing strategies to attract and retain customers and that sales teams are appropriately incentivised to action these changes. They need to build relationships and ensure they have positive engagements with current and prospective customers and the B2B world is no longer strictly transactional.

Key Changes during the last 12 month

This data shows that NPS impacts how SMEs select technology providers, especially when those providers are new, local or just not as well-known as the incumbents.

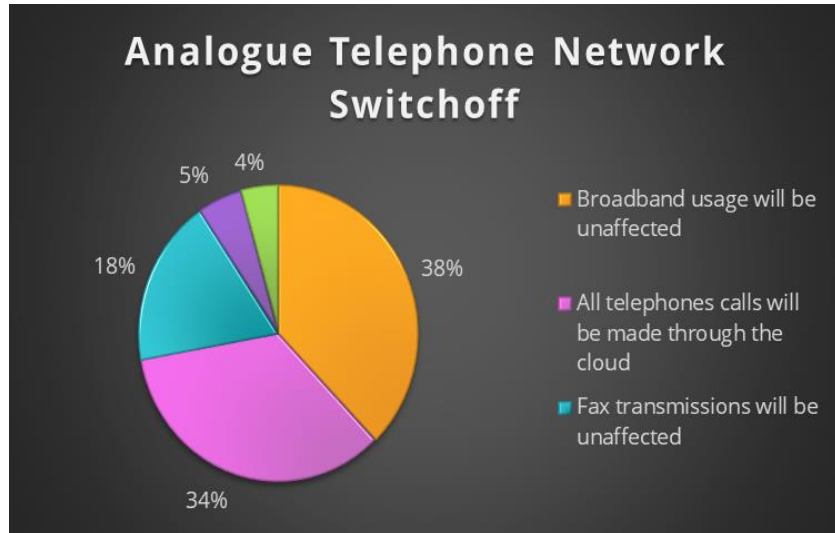


PSTN Preparedness

- Analogue Switch off
- PSTN Preparation

Analogue Switch off

BT is switching the analogue telephone network off in 2020. In your opinion, which of the following statements is the most accurate.



Responses from 212 business leaders of distinct companies with 2 to 249 employees. All sectors. December 2022.

Insights

PSTN switch-off is happening in 2025!

This means that the entire country will be using [digital phone services](#) but [our](#) insights indicate that some businesses are still unclear about what the switch-off means.

It is alarming that most small businesses still think that their broadband usage will be unaffected. This is a misconception which proves that SMEs across various sectors are not prepared for PSTN. Broadband services could be affected and require upgrading. Also, anything that connects to the PSTN such as CCTV and alarm systems will also stop working.

Businesses need to get ready and be prepared for this digital transition and they cannot do so unless they understand what is happening.

Helpful information about PSTN switch-off can be found [here](#) and [here](#).

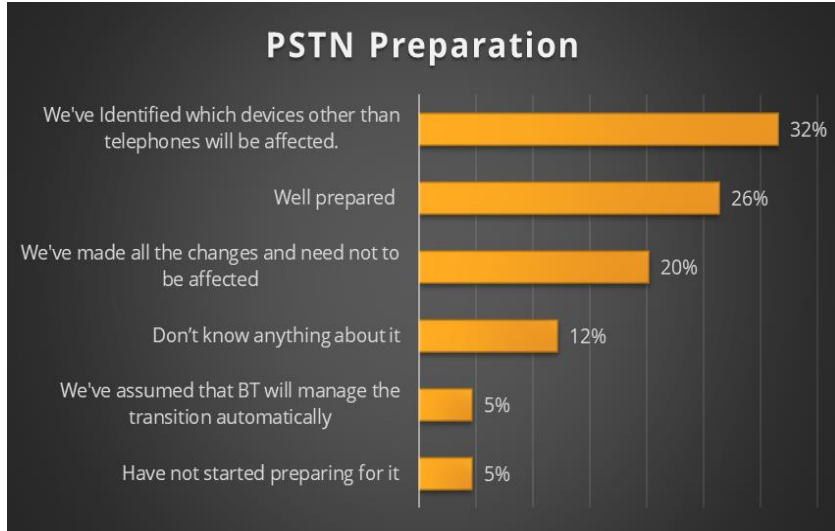
Key Changes during the last 12 month

Both in 2022 and 2023, most respondents indicated that they believe that broadband usage will be unaffected by the PSTN switch-off.

More information to help businesses better understand the impact of the analogue network switch off can be found [here](#).

PSTN Preparation

In your opinion, how well prepared is your organisation for the PSTN switch off?



Responses from 212 business leaders of distinct companies with 2 to 249 employees. All sectors. December 2022.

Insights

The PSTN switch off is approximately 2 years away, yet only 26% of small businesses that were involved in this survey claim to be “well prepared”. This is alarming because the switch-off is set to happen whether they are ready or not.

This is an opportunity for technology suppliers to provide expert advice to small businesses on replacing legacy systems with new ones that fit their telecommunication needs. Businesses must ensure they have strong, high-quality, and secure internet connectivity to deliver seamless digital interactions through cloud-based phone systems.

Businesses should not ignore the short guide published by BT to help them prepare for PSTN switch-off.

Local technology resellers, this is your opportunity to help SMEs get ready for PSTN. Think about how you can capitalise on it.

Key Changes during the last 12 month

In September 2021, it was reported that about 42% of small and medium-sized businesses in the UK still depend on analogue lines, which means they had not upgraded their systems as yet.

Section 3



Bridging the gap between small businesses and local technology providers in a way that everybody wins

3.1. Evidence of how SMEs Buy Technology

- Buying Preferences
- Switching Providers

3.2. Likelihood of SMEs buying from Local Resellers

- Awareness
- Attractiveness
- Usefulness

3.3. Evidence of how Local Resellers could Engage with SMEs

- Communication
- Networking

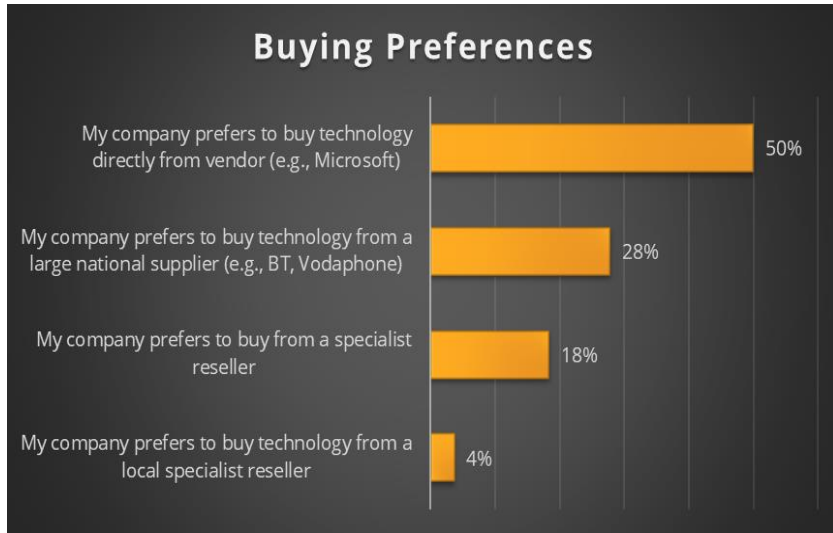


Evidence of how SMEs Buy Technology

- Buying Preferences
- Switching Providers

Buying Preferences

Please choose one statement that most accurately describes your technology buying preferences.



Responses from 212 business leaders of distinct companies with 2 to 249 employees. All sectors. December 2022.

Insights

78% of SMEs buy from large Telcos or Vendors like Microsoft, BT, Vodaphone, or O2. The key reasons for this can be found on the following page. However, large suppliers cannot service the SME markets consultatively. It does not make commercial sense for them to offer personalised services to SMEs. Small customers of large suppliers are managed in a 'zero-touch', highly automated fashion, leaving SMEs unsatisfied.

The 22% of small businesses that prefer to buy technology from specialist resellers or local specialist resellers are likely to have higher levels of satisfaction compared to the 78%.

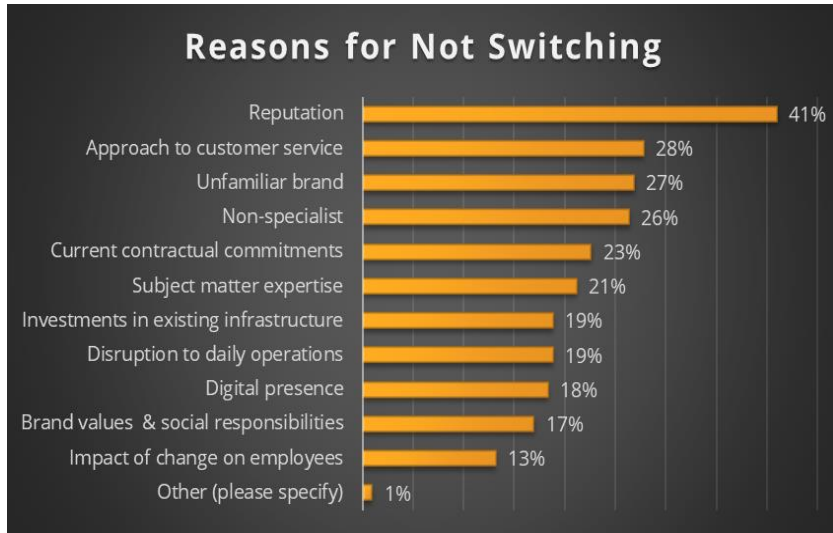
Most local resellers resell big brands and can provide the consultative expertise for SMEs to make good investment decisions. In this way, local technology resellers can mitigate this almost unavoidable dissatisfaction by providing SMEs with the personal guidance and service levels they really need.

Key Changes during the last 12 months

There is still a preference from SMEs to buy from large vendors and national suppliers. Part of the reason is because they see local technology resellers as a third-party. They assume it would be better to cut the third party and go directly to their source. The issue with this approach is that they will struggle to get the support they need from large incumbents.

Switching Providers

Other than price, what would deter you from moving to a different technology provider? (Select all that apply)



Responses from 212 business leaders of distinct companies with 2 to 249 employees. All sectors. December 2022.

Insights

The main reason why small businesses are reluctant to switch suppliers' is 'reputation'. Larger vendors and suppliers would have built a strong brand and reputation over the years, which is the main reason that businesses trust them. Unlike the incumbents, local technology resellers may not be as well-known and have less resources.

However, resellers have in-depth technological knowledge and experience. They have relationships with a wide range of providers and can ensure SMEs invest in the right solutions for their business needs.

Apart from the options listed in the survey, it is important to note that some SMEs are reluctant to switch providers because of high switching costs and the downtime associated with the switch. Sometimes they refuse to switch because they want to remain 'loyal'. [This article](#) shares more information about why businesses may be reluctant to switch providers.

Key Changes during the last 12 month

Reputation, brand and customer service remains the top three factors that deter small businesses from switching suppliers.

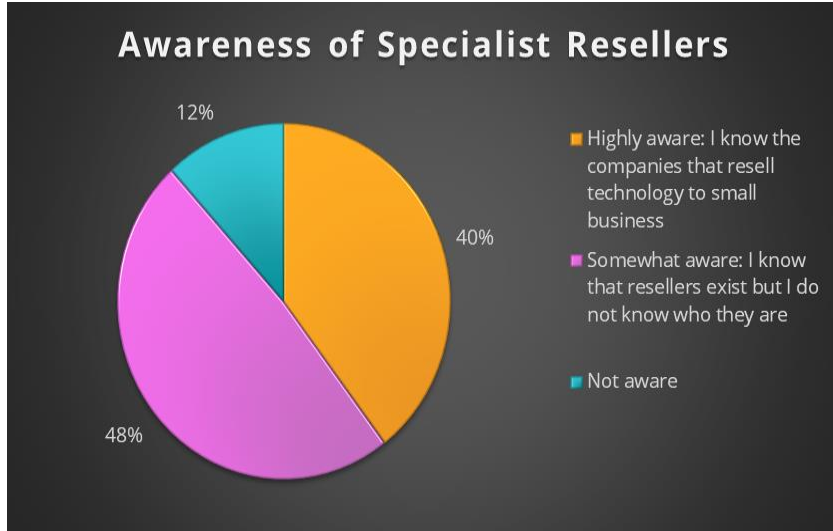


The Likelihood of SMEs buying from Local Resellers

- Awareness
- Attractiveness
- Usefulness

Awareness

How would you describe your awareness of companies that specialise in reselling technology to small businesses?



Responses from 212 business leaders of distinct companies with 2 to 249 employees. All sectors. December 2022.

Insights

SMEs invest a median of 6% of their turnover on technology. Due to a lack of commercially effective advice from large providers, SMEs make purchases that are ineffective and expensive.

Almost 50% of SMEs are aware that resellers exist but don't know who they are. Meanwhile, there are SMEs that are unaware that of local alternatives. To move those SMEs from unaware to aware, local technology resellers need to invest in marketing to build referenceability, and increase visibility, attractiveness and brand awareness.

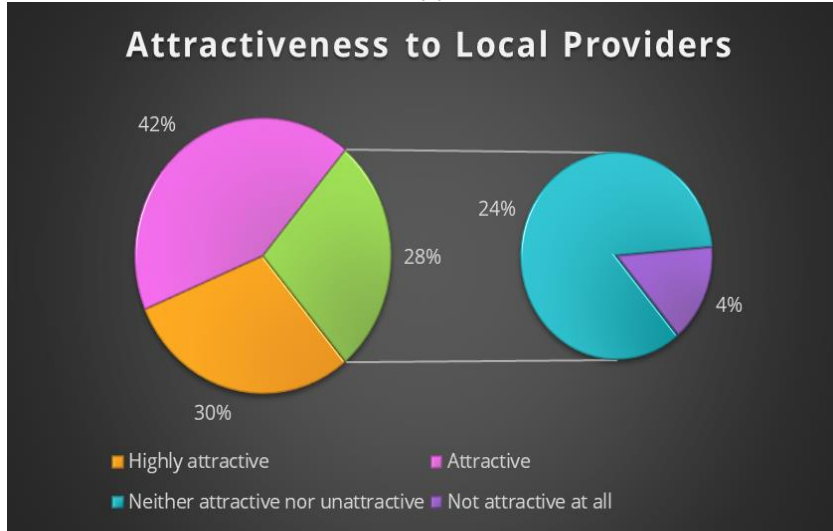
Additionally, local resellers need to action a strong value proposition and strategies to generate new business once the SMEs are 'aware' that the local resellers exist and know who they are.

Key Changes during the last 12 month

There has been a 3% increase of small businesses that indicated they are 'highly aware' over the last 12 months. More needs to be done to ensure a significant increase in small business awareness of local technology resellers.

Attractiveness

If all your service line requirements could be met, how attractive would it be for your business to work with local technology providers rather than national suppliers and/or vendors?



Responses from 212 business leaders of distinct companies with 2 to 249 employees. All sectors. December 2022.

Insights

72% of respondents indicated that they would be attracted to local providers that can meet all of their service line requirements. These findings demonstrate an opportunity to bridge the gap between the SMEs and local technology resellers by optimising a local digital eco-system.

It creates a 'win-win-win' situation where large incumbents are still patronized by the local technology resellers; the local technology resellers are patronized by SMEs and SMEs receive the support they require from the technology resellers.

Additionally, it creates an opportunity for local resellers in a particular region to be familiar with each other and form partnerships, especially where there are gaps in produce/service offerings.

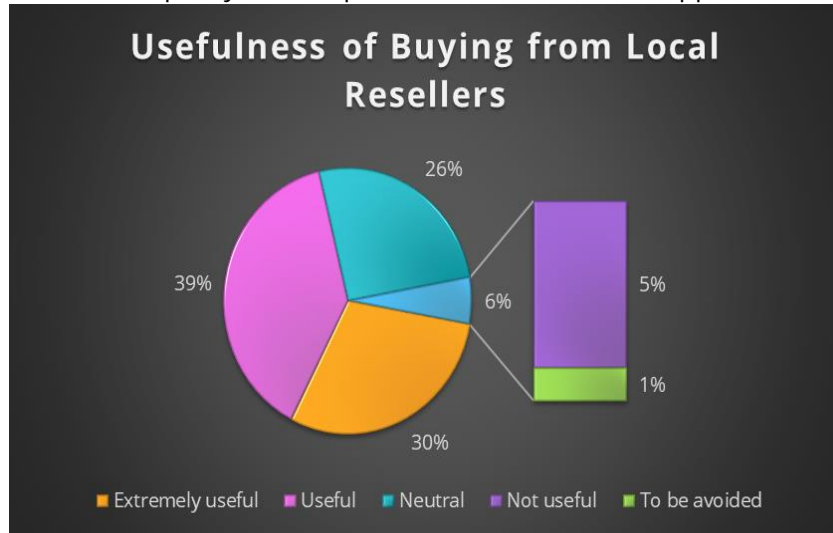
Key Changes during the last 12 month

Like large companies, small businesses are optimising their digital capabilities to transform their businesses.

The insights from Larato's 2022 and 2023 surveys are similar. The results for both surveys show that over 70% small businesses would be attracted to local providers if all their service line requirements could be met

Usefulness

As technology becomes more complex, how useful do you believe it would be for your company to buy from local resellers with the capacity to offer personalised advice and support?



Responses from 212 business leaders of distinct companies with 2 to 249 employees. All sectors. December 2022.

Insights

The insights show that most SMEs are realising the value of buying technology from local resellers. Some of these benefits include:

- **Increased productivity for SMEs:** SMEs that use technology effectively are more productive than those that do not. Resellers can offer SMEs advice and support to ensure they make smart technology purchases based on their business and needs.
- **Increased cash in local economy:** Buying from incumbents means that cash is leave the economy. Therefore, local businesses increasing trade with each other leads to increased cash in local economy.
- **Everybody wins:** The local resellers will continue to buy from incumbent providers while SMEs buy from the local resellers. As result, and the local reseller market is optimised, leading to economic growth.

Key Changes during the last 12 month

More SMEs seem to be realising the usefulness of buying technology from local resellers that can offer them personalised advice and support. This is a great opportunity to optimise the local reseller channels across various regions in the UK.

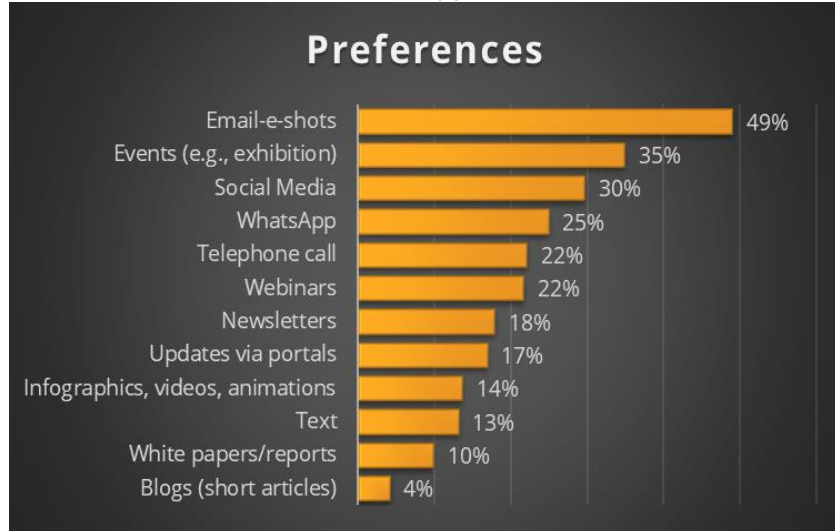


Evidence of how Local Resellers could Engage with SMEs

- Communication
- Networking

Communication

How would you prefer to receive information about products/services, updates, news about relevant IT and telecoms suppliers?



Responses from 212 business leaders of distinct companies with 2 to 249 employees. All sectors. December 2022.

Insights

There are many ways in which small businesses could receive information about products/services, news, updates, etc. about relevant local IT and telecoms suppliers.

SMEs prefer more personal and engaging communications such as email, events, and social media instead of learning from blogs, white papers/reports, and text messages.

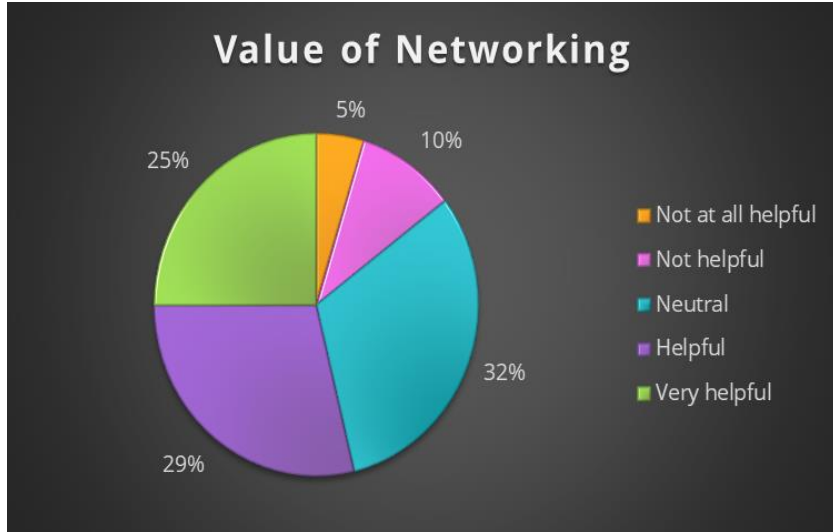
Suppliers need to find out the best method of sharing information with their target customers then create and deliver bespoke communications to gain their attention.

Key Changes during the last 12 month

The chart shows that 'email' is the best way for local technology providers to communicate with prospects. These findings are synonymous with an article published by Gartner in December 2021, which mentions 'email' as the most effective way to reach B2B prospects

Networking

In your opinion, how valuable is it to network with local technology experts?



Responses from 212 business leaders of distinct companies with 2 to 249 employees. All sectors. December 2022.

Insights

Neither small businesses nor local technology resellers should underestimate the value of networking.

Resellers in a network are likely to gain increased visibility and new business opportunities, especially within an evolving ecosystem. Meanwhile, the small businesses (buyers) can access more visibility into their supply chains and consider new suppliers.

Local technology resellers need to capitalise on the fact SMEs find it valuable to network with local experts. Networking is an opportunity for local technology resellers to connect with SMEs, demonstrate their value proposition and help them move from a state of unawareness to a customer.

Key Changes during the last 12 month

More small businesses are finding it helpful to network. Additional information about why networking is essential can be found [here](#).

“How and why UK small businesses buy technology” is an investigation by Larato into how Britain’s technology providers - of all sizes - can help small organisations win on the national and international stage.

Section 1 covers why small businesses buy technology, what they spend, what they expect from their investments, and what they are struggling with now.

Section 2 offers evidence and advice about how suppliers can provide value to suppliers.

Section 3 offers advice on bridging the gap between small businesses and local technology providers in a way that everybody wins.

#HelpMe Business Development Guides

These guides have proven so popular that Larato is releasing a third series that looks at the business development challenges you care about the most.

[Access the latest #HelpMe guides here.](#)

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Thank you

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business development